TEACHERS' PENSION PLAN ONTARIO

Pension News

INFORMATION FOR RETIRED EDUCATORS AND THEIR SURVIVORS FALL 2003

Spousal pensions provide security

Now is the time to ensure your spouse knows what to expect from the Teachers' pension plan when you die. Knowing what to expect can help ease some of the financial worries that may arise.

Your spouse's pension will be based on 50 to 75 per cent of your pension, depending on the percentage of spousal pension you chose when you retired. If you die before age 65, the CPP reduction will be applied to your pension before your spouse's pension is calculated. This is because the Canada Pension Plan (CPP) also provides a survivor pension.

Ten-year pension guarantee

Some members also may have selected a 10-year guarantee option in exchange for a nominal reduction in their pension. Under the 10-year guarantee, if you die within 10 years of the start of your pension, your full pension, less the CPP reduction, will be paid to your spouse for the balance of the 10 years. After that, your eligible spouse will receive the percentage of survivor pension you chose when you retired.

Spousal pensions cannot be increased or decreased after you retire and are only payable to the surviving spouse you were living with when your pension started.

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Knowing how to collect a survivor pension can bring peace of mind to your spouse.

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How much will my pension increase next year? D.H.

After we finalize the size of the increase, we will let you know. The increase will be announced in the winter issue of *Pension News*, which you will receive by the end of the year.

Can I receive an electronic version of Pension News instead of the printed version? E.S.

Yes – call us to begin the service or complete the e-mail registration form found on any page in the publications section of our Web site – www.otpp.com.

How did we manage our exposure to the U.S. dollar? H.F.

For some time, we thought the U.S. dollar was overvalued and would decline relative to the Canadian dollar and other currencies. As a tactical response, we began last year to hedge U.S. dollar-exposed assets. The move paid off, returning about $800 million to the Teachers' plan in the first six months of this year.

My husband and I are retired teachers. To save trees, can we receive only one copy of Pension News? S.W.

Simply call us to arrange to receive one copy per household. We will need the full names of the members residing in the household and their address.

We welcome your questions. Please write to dhanna@otpp.com or: The Editor, Pension News, *Ontario Teachers' Pension Plan, 5650 Yonge St., Toronto, ON M2M 4H5.*
Answers to common questions will be published in future issues.

Spousal pensions can provide security

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To minimize the disruption in pension payments, a spouse or family member should call us as soon as possible to report the death of a member. Our pension benefits specialists can be reached at 416-226-2700 or 1-800-668-0105, weekdays from 8 a.m. to 5:30 p.m.

We will do our best to make the process as quick and painless as possible. After we confirm the spouse's eligibility, we will provide a package containing the information the spouse needs to apply for a pension. This includes a few simple forms to complete, plus a reminder to contact the Ontario Teachers' Insurance Plan or Johnson Inc. to arrange for continued health insurance in cases where we have been deducting insurance premiums from the deceased member's pension on behalf of those companies.

We usually begin paying a survivor pension the month after we receive all the required forms and supporting documents.

In addition to the completed forms, we will need a copy of the member's death certificate or funeral director's statement of death and a void cheque for the new account where the pension will be deposited.

We usually begin paying a survivor pension the month after we receive all the required forms and supporting documents, but we can advise of the amount payable almost right away.

Sometimes a spouse takes months to notify us of the member's death because pension payments continue to be available through a joint account. But the delay could cause financial problems because the spouse must repay any pension paid to the deceased member after the month of death.

How to change the tax we withhold from your monthly pension payment

Do you get a large refund when you file your annual income tax return?

It could be because we are deducting too much tax from your monthly pension. Conversely, if you owe the government money at tax time we may not be withholding enough.

We deduct tax from your monthly Teachers' pension based on government requirements and the personal information you reported to us, usually when you retired.

Deducting more tax

We can deduct more tax from your pension if you have other sources of income. Let us know by mail, fax or phone. We will need your name, your social insurance number, and the amount to be deducted, expressed as a monthly amount or a percentage of your before-tax Teachers' pension.

Deducting less tax

If you want to decrease the tax we deduct, you need to claim additional tax credits. Tax credits apply, for example, if you become disabled, turn age 65, support certain dependants or go back to school. To claim additional tax credits, send us a completed federal government TD1 form and its provincial counterpart, the TD1ON. Both forms describe the 11 types of credits available.

Sometimes pensioners ask us to reduce the tax we withhold from their pensions because of certain deductions they usually claim on their annual income tax return. Such deductions include large charitable donations, support payments required under a separation or divorce agreement, and allowable RRSP contributions (often stemming from contribution room carried forward from their working years).

If you think you qualify to pay reduced taxes because of such deductions, contact the Canada Customs and Revenue Agency (formerly Revenue Canada). If the government approves your request, send us its approval letter. By law, we cannot reduce withholding tax without the government's written authorization.

T1 GENERAL

REQUEST TO REDUCE TAX DEDUCTIONS AT SOURCE FOR YEAR(S)

More information

- For more information on tax deductions, call or visit your local office of the Canada Customs and Revenue Agency, listed in the Government of Canada section of your telephone directory. Information is also available on the agency's Web site—www.ccra-adrc.gc.ca.
- To obtain the TD1 and TD1ON forms, contact the Canada Customs and Revenue Agency, visit our Web site at www.otpp.com or call us. You can reach us at 416-226-2700 or 1-800-668-0103, weekdays from 8 a.m. to 5:30 p.m.

Mid-year investment results are promising

The Teachers' pension plan achieved a 4.6 per cent rate of return for the first six months of this year, beating the fund benchmark by 1.3 per cent. Net assets rose $2 billion to $68.2 billion during the period. (Mid-year results are not audited.)

"Of course, whether these returns will hold for the rest of the year remains to be seen. Markets are highly volatile in the short term and could go either way," Robin Korthals, Chair of the Ontario Teachers' Pension Plan Board, said during a speech to the Ontario Teachers' Federation in August.

Robin Korthals

"...The plan will maintain the current defensive position focused on getting adequate compensation for any risks taken."

The plan has shifted some assets from public equity markets into private equity, real estate and infrastructure assets.

"Today, about 30 per cent of the plan's asset mix policy is inflation-sensitive assets: about 10 per cent of the fund is invested in real return bonds and almost 15 per cent in real estate. Inflation-sensitive assets anchor the entire portfolio. They have less volatile returns than stocks and more inflation-sensitive returns than bonds and are a close match to the financial needs of the plan," Robin said.

Merchant Bank on world stage

The value of our investment in the Yellow Pages nearly tripled this summer when the company sold units to the public through an income trust fund, seven months after we first acquired an interest in the telephone directories business.

We retained 22 per cent ownership in Yellow Pages, one of the biggest investment success stories of the year and a huge boost for the Teachers' Merchant Bank, the private equity arm of the plan.

"I can't remember a case where all the stars lined up this way and I'm 56 years old," said Jim Leech, senior vice-president of Teachers' Merchant Bank. "It makes our job look easy, but a lot of hard work went on behind-the-scenes.

"We took a division of Bell Canada and focused on it. Instead of being a forgotten division within a large company, we said 'this is your sole business so let's make it flourish'."

Flourish it did. In less than a year, the value of our investment jumped to $750 million from $270 million. U.S.-based *Buyouts* newsletter described the 2002 purchase of Yellow Pages by Teachers' Merchant Bank and partner Kohlberg Kravis Roberts & Co. as the best investment deal of the year.

The deals put together by the merchant bank are among the plan's most high profile investments. Last February, it helped lead an international group of investors that purchased the entire private equity portfolio of Deutsche Bank, one of the largest financial institutions in the world. Teachers' Merchant Bank invested $550 million in the $2.8 billion purchase to acquire interests in more than 80 private companies, including Jostens, known for school photos and class rings, and Jenny Craig.

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Merchant Bank on world stage

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Jim Leech, senior vice-president, Teachers' Merchant Bank

Other recent investments include a $50 million investment in Samsonite, one of the world's largest manufacturers and distributors of luggage, and a 40 per cent equity position in Worldspan, the second largest travel reservation organization in the world. The merchant bank's best-known investment remains a controlling share in Maple Leaf Sports and Entertainment Ltd., owners of the Toronto Maple Leafs, Raptors and the Air Canada Centre.

Jim said the merchant bank's "top-notch" team of investment professionals creates deals that bring long-term value to the plan and its partners.

"Our team actively seeks and makes deals with companies around the world. We partner with our clients and make their business goals our priority. In addition to financing, we support them with strategic advice. The expertise our team brings to the job is fundamental to our success. We take an aggressive approach to managing our investments to reduce risk exposure and enhance returns."

Jim says investment in private equity complements investment in public companies trading on Canadian and foreign stock markets, although it normally takes several years to realize full value.

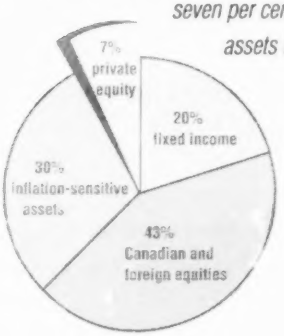
Teachers' Merchant Bank invests in private equity

The $4.5 billion Teachers' Merchant Bank is one of Canada's largest and most sophisticated pools of private equity capital, but one of our smallest asset classes, representing about seven per cent of the plan's $68.2 billion net assets.

The Teachers' Merchant Bank was formed in 1991 to invest in privately owned companies with large earnings potential. Since its inception, it has invested in more than 130 companies and 40 private equity funds around the world, achieving an annual rate of return exceeding 25 per cent. The merchant bank's annual goal is to beat the Toronto Stock Exchange by two per cent.

FUND INVESTMENTS

Teachers' Merchant Bank invests about seven per cent of the plan's assets in private equity.



No need to worry about online security

Member security is a top priority at the Teachers' pension plan.

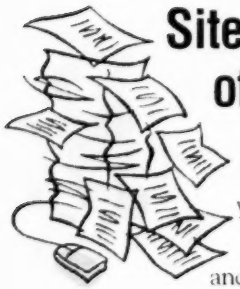
We collect and use only that personal information required to administer the plan. Mailing lists or e-mail addresses are never sold and personal information is disclosed to third parties only in special circumstances and with confidentiality agreements.

To ensure the personal information you retrieve online is secure, we use different layers of security technology. For example, we allow only members with browsers capable of one of the highest forms of security available to use our secure member Web site.

A padlock icon displayed near the bottom of your computer screen confirms the personal information on a Web page has been encrypted. With encryption, plain text and numbers are converted to a scrambled code when transmitted over the Internet, then translated to a readable format at your computer.

We use the same high level of security as banks and other financial institutions. However, simple precautions will further protect your privacy:

- Keep your user ID and password confidential.
- Always sign out at the end of your session, especially if using a public computer.



Site offers 700 pages of information

Next time you're wondering where to look for specific information on your pension, try diving into our Web site.

You'll find more than 700 pages of news and information at www.otpp.com, including:

- Answers to most questions about your pension
- Copies of newsletters and annual reports
- News releases and speeches
- Biographies of investment team members
- A list of investments and performance results

If you register for *i*Access, the secure member Web site, you can also:

- Change your address, phone number or other contact information
- View your personal pension file
- Access information about the plan

Wealth of investment information at www.otpp.com

Do you ever wonder how your pension plan intends to vote on any major issue affecting the largest companies in Canada? The answer is available at www.otpp.com.

Teachers' pension plan, a leader at promoting good corporate governance in Canada, follows what it preaches by disclosing proxy voting decisions on its Web site.

"We consider the right to vote as one of our most effective tools for promoting good corporate practices," said Robert Bertram, executive vice-president, Investments. "We try to vote every share of every company we own at every meeting of that company's stakeholders. And we encourage all other shareholders to do the same."

Proxy voting guidelines, as well as searchable records of voting decisions, are posted in advance on the corporate governance section of our Web site.

If you own stock in companies that are also owned by us, visit the Web site to see how we intend to vote our proxies and the reasons behind our decisions. That information, along with other research findings, might help you decide how to vote.

The site provides other investment information, including our major investments, investment strategy, proxy voting guidelines and investment performance.

Personal service just a call away

The personal service begins the second we answer the phone.

"Client Services, Charlotte speaking. How may I help you today, Mrs. Taylor?"

"Oh, my goodness, you know my name," the pleasantly surprised member replied, as have countless callers before her.

Mrs. Taylor's pension file was displayed on Charlotte's computer screen seconds after our integrated communications system recognized her home phone number.

Within four minutes, she signed up for *i*Access, confirmed her mailing address and received a detailed explanation of the CPP reduction to be applied to her pension when she turns age 65 next month.

Every year, Client Services handles nearly 150,000 telephone calls from retired and working members. Members get on-the-spot answers to many questions on the phone or through our secure member Web site.

To see how we are doing, we regularly survey pensioners through an independent market research firm.

"We really appreciate the feedback we get," said Rosemarie McClean, vice-president, Client Services.

Last year, clients gave Rosemarie and her team the highest service rating since the survey was initiated in 1993.

"We're delighted with the results, but we are always striving to do better," she said. "Our long-term goal is to provide every member with immediate, personalized service." ■

Benefits Specialist Charlotte Marchildon

How to register for online pension service

Five minutes is all you need to sign up for *i*Access, the personalized Web site for pension plan members. Once you register, you can easily access your personal information.

If you have an active e-mail account, you're ready to register by phone, fax or mail. Here's how:

BY PHONE:

1. Call Client Services between 8 a.m. and 5:30 p.m., Monday to Friday. Our number is 416-226-2700 or toll-free at 1-800-668-0105.
2. We will set up your account and give you a unique user ID.

BY FAX OR MAIL:

1. Visit our Web site—www.otpp.com—and click the link "*i*Access Web Registration" in the Plan Info section.
2. Follow the instructions to download the registration form.
3. Fill out the form, print it, sign it and fax or mail it to us. (Fax number and address included on form.)
4. After we receive the form, we'll send you a user ID by regular mail. ■

Pension can travel with you

Anne's pension travels with her to Florida every October.

When she returns home to Ontario in the spring, her pension also relocates. Anne, one of many teachers who join the annual trek south, receives her monthly pension in U.S. dollars in her Florida bank account during the winter and in Canadian funds in her Ottawa bank account when she returns home.

Sending pension payments to different locations to accommodate snowbirds like Anne is nothing new for Pension Services Manager Margit Stymest and her team at the Teachers' pension plan.

More than 300 retired teachers are paid, for at least part of the year, in foreign currencies. Cheques can be mailed in the local currencies of nine countries including Ireland, Northern Ireland, England, Italy, Spain, New Zealand, the Netherlands and Germany. In the U.S., pensions can be directly deposited in U.S. dollars at financial institutions across the country.

"Many pensioners find it faster, safer and more convenient to have their pension directly deposited in U.S. funds or converted to local currency," Margit said.

To arrange for your pension cheque to be paid in a foreign currency, call us or complete a Pension Payment Banking Request form. To arrange for your payment to be deposited in a U.S. bank account, use a U.S. Direct Deposit Sign Up Form. Both forms are available in the publications section of our Web site at www.otpp.com. You can also call us for a copy at 416-226-2700 or 1-800-668-0105, Monday to Friday from 8 a.m. to 5:30 p.m.

If you become a permanent non-resident of Canada, send us a signed letter to inform us of the change. The tax we withhold from your pension is based on your principal place of residence. For more information, call or visit your local office of the Canada Customs and Revenue Agency, listed in the Government of Canada section of your telephone directory or visit the agency's Web site at www.ccra-adrc.gc.ca. ■

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We appreciate your comments about anything you read in *Pension News*. Please contact Debra Hanna at (416) 730-5351 or 1-877-812-7989 or e-mail: debra_hanna@otpp.com

This newsletter does not create any right to benefits. Your entitlements and those of your survivors are and will be governed by the language of the pension plan text. The information contained in this newsletter is not intended to be relied upon in relation to any particular circumstance.

Ce bulletin est disponible également en français.

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